

Message Text

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ORIGIN EB-07

INFO OCT-01 CCO-00 SS-15 SSO-00 ISO-00 EUR-12 AID-05

CEA-01 CIAE-00 COME-00 EA-06 FRB-03 INR-07 IO-10

NEA-09 NSAE-00 OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04

SIL-01 OMB-01 NSC-05 NSCE-00 INRE-00 L-02 H-01 XMB-02

STR-01 AGR-05 /104 R

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INR/REC - M. DRAY

C:WTSINN

S/S - MR. GAMMO

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O 181715Z FEB 75 ZFF4

FM SECSTATE WASHDC

TO AMEMBASSY PARIS IMMEDIATE

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TOSEC 441

E.O. 11652:N/A

TAGS:EFIN, UR

SUBJECT:PROPOSED INSERT IN EX IM BANK "COMPETITIVENESS"
REPORT TO CONGRESS

PARIS: ATTENTION SONNENFELDT

1. RECOMMEND CASEY INSERT BE INCLUDED IN EXIM BANK REPORT.

2. RECOMMEND TEXT OF INSERT BE REVISED TO READ AS FOLLOWS:

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3. THE MAJOR EUROPEAN COUNTRIES AND JAPAN HAVE AGREEMENTS

UNDER WHICH OVER \$7 BILLION OF GOVERNMENT BACKED EXPORT CREDITS WILL BE AVAILABLE TO FINANCE SALES BY EUROPEAN AND JAPANESE MANUFACTURERS TO THE SOVIET UNION OVER A PERIOD OF FIVE YEARS OR MORE. IN THE LAST THREE MONTHS, AGREEMENTS HAVE BEEN SIGNED BY FRANCE, ITALY AND THE U.K. COMMITTING SOME \$5 BILLION OF NEW CREDITS FOR PROJECTS IN THE SOVIET UNION. THERE ARE OVER \$2 BILLION IN CREDITS STILL AVAILABLE FROM WEST GERMANY AND JAPAN, AND SMALLER AMOUNTS ARE AVAILABLE FROM SWEDEN AND AUSTRIA. THESE NEW CREDITS GENERALLY CARRY AN INTEREST RATE OF ABOUT 7.5 PERCENT AND IN SOME CASES WOULD SUPPORT 80 TO 90 PERCENT OF THE PRICE OF THE RELEVANT EXPORTS. U.S. FIRMS HAVE PROJECTS INVOLVING ABOUT \$2 TO \$3 BILLION OF U.S. EXPORTS

IN POSSIBLE AGREEMENTS WITH THE SOVIET UNION OF WHICH ALMOST \$1 BILLION ARE NEARING CONCLUSION.

4. IN THE ABSENCE OF OFFICIAL EXPORT FINANCING FROM THE U.S., SOME OF THE COMPANIES INVOLVED SEEM LIKELY TO CARRY OUT THEIR PROJECTS BY PURCHASING THE EQUIPMENT FOR THE PROJECTS IN EUROPE AND JAPAN IN ORDER TO OBTAIN NECESSARY FINANCING. FOR EXAMPLE, A U.S. PRODUCER OF FERTILIZER PLANTS WILL BE ABLE TO BUILD A MULTIMILLION DOLLAR AMMONIA COMPLEX WITH MOST OF THE EQUIPMENT COMING FROM ITS JAPANESE LICENSEE, AND A PAPER COMPANY WILL BE ABLE TO BUY EQUIPMENT IN EUROPE FOR A PULP AND PAPER MILL. HOWEVER, SOME U.S. FIRMS MAY BE ABLE TO JUSTIFY THE MORE COSTLY DOLLAR FINANCING AVAILABLE IN THE U.S. AND EURODOLLAR PRIVATE CAPITAL MARKETS IN THE CASE OF EQUIPMENT AVAILABLE ONLY IN THE UNITED STATES AND WHICH HAS PARTICULAR ECONOMIC AND TECHNICAL ADVANTAGES. IN ANY EVENT, TO THE EXTENT THAT THESE PROJECTS GO FORWARD THERE IS THE DANGER THAT MOST OF THE MANUFACTURING, WITH THE ATTENDANT BALANCE OF PAYMENT AND JOB BENEFITS, WILL GO TO EUROPE AND JAPAN, WHILE THE BENEFIT TO THE U.S. FIRMS WILL BE CONFINED TO ROYALTIES, MANAGEMENT FEES AND, IN SOME INSTANCES, THE OPPORTUNITY TO BUY SOME OF THE OUTPUT, I.E., PRODUCTS LIKE PAPER AND PULP, AND TO MARKET THOSE PRODUCTS THROUGH THEIR WORLDWIDE DISTRIBUTION SYSTEM.

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5. ORIGINAL LANGUAGE PROPOSED CASEY INSERT READ AS FOLLOWS:

6. THE MAJOR EUROPEAN COUNTRIES AND JAPAN HAVE AGREEMENTS UNDER WHICH OVER \$7 BILLION OF EXPORT CREDITS WILL BE AVAILABLE TO FINANCE SALES BY EUROPEAN AND JAPANESE MANUFACTURERS TO THE SOVIET UNION. IN THE LAST THREE MONTHS, AGREEMENTS HAVE BEEN SIGNED BY FRANCE, ITALY

AND THE U.K. COMMITTING SOME \$5 BILLION OF NEW CREDITS FOR PROJECTS IN THE SOVIET UNION. THERE ARE OVER \$2 BILLION IN CREDITS STILL AVAILABLE FROM WEST GERMANY AND JAPAN, AND SMALLER AMOUNTS ARE AVAILABLE FROM SWEDEN AND AUSTRIA. THESE NEW CREDITS GENERALLY CARRY AN INTEREST PERCENT OF THE PRICE OF THE RELEVANT EXPORTS. U.S. FIRMS HAVE PROJECTS INVOLVING \$3 TO \$4 BILLION OF U.S. EXPORTS UNDER ACTIVE DISCUSSION AND NEGOTIATION WITH THE SOVIET UNION. IT APPEARS THAT AGREEMENTS FOR PROJECTS INVOLVING ABOUT 25 PERCENT OF THESE POTENTIAL EXPORTS WERE NEARING CONCLUSION AT THE END OF 1974.

7. IN THE ABSENCE OF OFFICIAL EXPORT FINANCING FROM THE U.S., SOME OF THE COMPANIES INVOLVED SEEM LIKELY TO CARRY OUT THEIR PROJECTS BY PURCHASING THE EQUIPMENT FOR THE PROJECTS IN EUROPE AND JAPAN IN ORDER TO OBTAIN NECESSARY FINANCING. FOR EXAMPLE, A U.S. PRODUCER OF FERTILIZER PLANTS WILL BE ABLE TO BUILD A MULTIMILLION DOLLAR AMMONIA COMPLEX WITH MOST OF THE EQUIPMENT COMING FROM ITS JAPANESE LICENSEE, AND A PAPER COMPANY WILL BE ABLE TO BUY EQUIPMENT IN EUROPE FOR A PULP AND PAPER MILL. HOWEVER, SOME U.S. FIRMS MAY BE ABLE TO JUSTIFY THE MORE COSTLY DOLLAR FINANCING AVAILABLE IN THE U.S. AND EURODOLLAR PRIVATE CAPITAL MARKETS IN THE CASE OF EQUIPMENT AVAILABLE ONLY IN THE UNITED STATES AND WHICH HAS PARTICULAR ECONOMIC AND TECHNICAL ADVANTAGES. IN ANY EVENT, TO THE EXTENT THAT THESE PROJECTS DO GO FORWARD UNDER THE AUSPICES OF U.S. FIRMS, THE NET EFFECT WILL BE THAT MOST OF THE MANUFACTURING, WITH THE ATTENDANT BALANCE OF PAYMENT AND JOB BENEFITS, WILL GO TO EUROPE AND JAPAN, WHILE THE BENEFIT TO THE U.S. FIRMS WILL BE CONFINED TO ROYALTIES, MANAGEMENT FEES AND, IN SOME INSTANCES, THE OPPORTUNITY TO BUY SOME OF THE LIMITED OFFICIAL USE

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OUTPUT, I.E., PRODUCTS LIKE PAPER AND PULP, AND TO MARKET THOSE PRODUCTS THROUGH THEIR WORLDWIDE DISTRIBUTION SYSTEM. MAW

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
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Concepts: CREDIT, AGREEMENTS, EXPORTS, REPORTS, PROGRAMS (PROJECTS), BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Handling Restrictions: n/a
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Margaret P. Grafeld
Declassified/Released
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EO Systematic Review
05 JUL 2006

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TAGS: EFIN, UR, JA, UK, US, XMB
To: PARIS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006